



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Division of Financial Institutions

DCCA News Release

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STATE ISSUES CONSUMER ADVISORY ON MORTGAGE PAYMENT INCREASES

HONOLULU – The State's Division of Financial Institutions (DFI) today issued a consumer advisory urging homeowners with adjustable rate mortgages -- especially those with nontraditional mortgages -- to plan now for the scheduled "recasts" or "resets" of interest rates in the year ahead.

DFI Commissioner Nick Griffin urges borrowers to:

- Seek information on the characteristics of your mortgage
- Budget accordingly
- Contact your servicer for assistance, if needed
- Inquire about the terms of any prepayment penalty
- Ask about possible solutions if payments are past due

The Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) are also issuing a joint statement to encourage residential mortgage servicers and providers to contact their customers who have mortgage loans that are scheduled to recast this year. Consumers with mortgage loans that will recast this year could have considerable increases in their monthly loan payments, resulting in payment shock or possible default.

Commissioner Griffin is concerned that many customers may not fully understand the characteristics of these products. In addition, many borrowers may have difficulty affording the higher payments after a recast. With an estimated one million mortgage loans nationally scheduled to recast this year, it is imperative that servicers and providers reach out to these consumers to alert them to the potential effects of the recast.

DFI is aware that some mortgage companies that service mortgage loans have taken steps to contact these customers to remind them that their loan payments are scheduled to increase and to address any concerns that may arise. If a customer does express concern about their adjusted monthly payment, these same companies are encouraged to take steps to address the problem prior to the recast by finding appropriate solutions, which may include refinancing the consumer into a more appropriate loan.

“Servicers should provide information on when the recast will occur and how much the monthly payment will adjust,” said Griffin. “Should the loans go into default, servicers should consider workout arrangements to prevent foreclosures.”

Griffin noted efforts by NeighborWorks America, which has established a hotline (888-995-HOPE) to reach struggling homeowners with strategic solutions. The Hawaii HomeOwnership Center, a chartered NeighborWorks member in Hawaii, is available to provide assistance and/or referral services. The center is a non-profit agency created to provide education, information and support to increase homeownership in Hawaii. Contact the Hawaii HomeOwnership Center at (808) 523-9500 for more information.

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